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FINANCE COMMITTEE APPROVES BILL REAUTHORIZING AIRPORT AND AIRWAY TRUST FUND

Chairman Baucus Touts Job-Creation Benefits, Improved Safety and Efficiency of Modernizing Air Traffic Control

Washington, DC – The Senate Finance Committee today approved Chairman Max Baucus’s (D-Mont.) legislation to help create jobs, improve safety and reduce travel delays through reauthorization of the Airport and Airway Trust Fund. The fund provides the resources the Federal Aviation Administration (FAA) needs to improve air travel and modernize America’s airports, including the implementation of the NextGen satellite air traffic network, which will replace outdated radar systems.

“Modernizing our aviation infrastructure will create new construction jobs at airports across the country and help usher in the 21st century transportation systems we need to compete in the global economy,” said Baucus. **“The bill we approved in Committee today will improve passenger safety and reduce travel delays that cost our economy millions and improve safety for every air traveler. NextGen’s satellite precision will allow airlines to do more in less time, moving people around the country more quickly and helping to keep our economy growing.”**

Reauthorizing the trust fund will support jobs throughout the aviation industry, financing airport construction projects that create jobs across the country. Reauthorizing the FAA legislation, and making investments in the NextGen system, is estimated to create 280,000 jobs in airports throughout the country.

Reauthorizing the trust fund will also reduce inefficiency in our system that costs billions of dollars each year. An FAA-commissioned report issued last year found flight delays cost the U.S. economy \$32.9 billion in 2007. By 2030, the U.S. air-traffic system will handle an estimated 191,000 flights every day – an increase of 49,000 flights daily – and one billion passengers a year. The legislation approved by the Committee today will help provide resources needed to implement the NextGen network. NextGen will improve the efficiency and capacity of the system by more precisely tracking aircraft and maximizing the use of airspace, which will minimize delays and reduce their cost to our economy. The NextGen system will also improve safety for air travelers because the satellite-based system can more accurately track the location of airplanes compared to radar.

Baucus intends to offer the bill as an amendment to the FAA Air Transportation Modernization and Safety Improvement Act, which is currently under consideration by the full Senate. Video of the markup can be found on the Finance Committee’s website at <http://finance.senate.gov/hearings/>. A summary of Baucus’s bill follows below.

Summary of the Airport and Airway Trust Fund Reauthorization Act of 2011

Air Traffic Modernization Account. The bill establishes an Air Traffic Control System Modernization Account in the Airport and Airway Trust Fund. This account will receive \$400 million per year through taxes imposed on jet fuel, with funding available for expenditures related to modernization and implementation of NextGen.

General Aviation Jet Fuel. The bill sets the general aviation (GA) jet fuel tax at a rate of 35.9 cents per gallon, increasing it from the current rate of 21.8 cents per gallon.

Fractionals. Fractional aircraft are subject to commercial aviation taxes, including an ad valorem tax of 7.5 percent, a \$3.70 segment tax, and a 4.3 cents per gallon fuel tax. For purposes of FAA safety regulations, fractional aircraft are treated as a category of general aviation (GA). The bill classifies fractional flights as GA for tax purposes, subject to the GA fuel tax rate of 35.9 cents per gallon. In keeping with the intent of the bill that funding for a modernized system should be broadly shared, the bill establishes a 14.1 cents per gallon surtax on fractional fuel. Like most other taxable motor fuels, aviation fuels are subject to an additional 0.1 cent per gallon Leaking Underground Storage Tank (LUST) tax.

Non-Established Lines. Under section 4281 of the Internal Revenue Code, transportation by aircraft weighing 6,000 pounds or less is exempt from certain AATF taxes unless the aircraft operates on an “established line,” defined by IRS as a route “operated with some degree of regularity between definite points.” The bill repeals the exemption for transportation by small aircraft operating on non-established lines. The current-law exemption for flights operated for the sole purposes of sightseeing is unchanged by the proposal. *An amendment to this provision, filed by Senator Ensign (R-Nev.), would preserve tax fairness for small air tour operators by specifying that the tax exemption repeal applies only to turbojet-powered aircraft.*

Transparency in Disclosures. The bill prohibits transportation providers from including amounts other than charges payable to a government entity in the required disclosure of passenger taxes on tickets and in advertising. The intent of the proposal is to avoid passenger confusion as to which charges are taxes and which are not.

Ensuring the Solvency of the Airport and Airway Trust Fund. This provision would require that not more than 90 percent of the expected AATF revenues are appropriated each year in order to protect against overly-optimistic revenue projections. The projections are based on first quarter revenues from the preceding fiscal year, and for that reason, can be inaccurate if revenues drop. *This provision was filed as an amendment by Senator Coburn (R-Okla.).*

Amending the internal revenue service code of 1986 to allow tax-exempt bond financing for fixed-wing emergency medical aircraft. This provision would clarify that the general restriction against the use of tax-exempt bonds for purchasing an airplane does not apply in the case of planes that are equipped for and exclusively dedicated to providing acute care emergency medical services. It would be effective for bonds issued after the date of enactment. *This provision was filed as an amendment by Senator Cantwell (D-Wash.).*